



FY2012 Performance and Accountability Report

**Montgomery County
Department of Liquor Control**





Montgomery County Department of Liquor Control FY2012 Performance and Accountability Report













DLC Alignment to Priority Objective Areas

Montgomery County Priority Objectives

- A Responsive and Accountable Government
- Affordable Housing in an Inclusive Community
- An Effective and Efficient Transportation Network
- Children Prepared to Live and Learn
- Healthy and Sustainable Communities
- Safe Streets and Secure Neighborhoods
- A Strong and Vibrant Economy
- Vital Living for All of Our Residents

DLC Headline Performance Dashboard

<u>Headline Performance Measure</u>	<u>FY11 Results</u>	<u>FY12 Results</u>	<u>Performance Change</u>
Annual growth in DLC retail and wholesale sales (percent)	6.6%	4.81%	
Gross profit margin of DLC retail and wholesale operations (percent)	28.3%	30%	
Retail customer satisfaction rating based on the DLC customer survey results (average score on a 1-4 scale)	3.19	3.20	
Rating of licensees satisfied with Licensing Application Process (Average score on a 1-5 scale)	4.67	4.72	
Percent of licensees that fail compliance checks (Number of establishments that fail/Number of total compliance checks)	20.75%	25.31%	
Number of annual alcohol compliance checks for sales to minors (under 21)	400	403	
Inventory as a percent of 'Cost of Goods Sold' (COGS)	16.4%	15.0%	
Inventory as a percent of DLC sales	11.6%	10.45%	
Rating of licensees satisfied with ALERT Training (Average Score on a 1-5 Scale)	4.97	4.69	
Wholesale customer satisfaction rating based on the DLC customer survey results (average score on a 1-4 scale)	2.91	2.97	



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DLC At A Glance

What Department Does and for Whom

The Department of Liquor Control provides a wide selection of products at competitive prices to shoppers in Montgomery County while promoting moderation and responsible behavior.

How Much/How Many

Total Operating Budget: \$46,953,280
Total Work Years (WYs): 323.0
Total Number of Retail Liquor Stores: 23

Service Area 1

Wholesale Operations: Provides wholesale warehousing, distribution services and customer service to approximately 1,000 licensees and 23 retail stores supporting a business operation with annual sales in excess of \$250 million.

Retail Operations: Provides retail product availability, sales and customer service via retail stores to residents numbering one-million over a geographic area of approximately 500 miles.

Wholesale Operations

Total Operating Budget: \$13,468,670
Total Work Years (WYs): 142.0

Retail Operations

Total Operating Budget: \$18,194,010
Total Work Years (WYs): 144.1
Total Number of Retail Liquor Stores: 23

Service Area 2

Licensure, Regulation and Education: Issues beverage alcohol licenses; inspects and investigates licensed facilities to ensure compliance with all applicable laws, rules and regulations; serves as support staff and provides expert witness to the Board of License Commissioners; works in partnership with communities, organizations and other departments to define issues and strategies.

Enforces State laws and County rules and regulations pertaining to youth's access to tobacco products using routine compliance checks to test age verification procedures utilized by retailers.

Total Operating Budget: \$1,266,830
Total Work Years (WYs): 13.0

Conducted 2,892 total alcohol inspections, 400 alcohol compliance checks, 14 sale to intoxicated investigations, 8 keg registration checks and 4 hotel/motel compliance checks.

Conducted 300 tobacco compliance checks aimed at reducing tobacco sales to minors under the age of 18; and ensuring that sellers follow product placement laws.

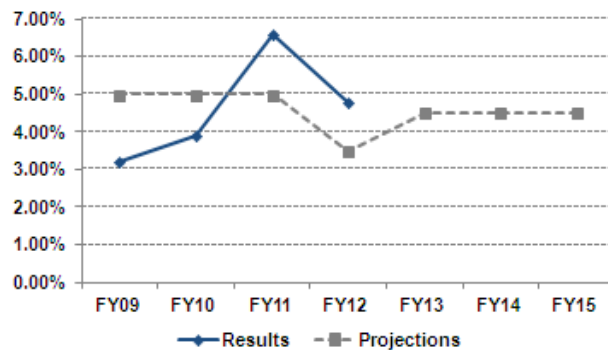


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Headline Performance Measure 1: Annual growth in DLC retail and wholesale sales (percent)

Performance Trends



	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Results	3.2%	3.9%	6.6%	4.8%			
Projections	5.0%	5.0%	5.0%	3.5%	4.5%	4.5%	4.5%

Factors Contributing to Current Performance

- High level of customer service satisfaction in retail stores and wholesale delivery operations
- Fair pricing and competitive sales
- Number of stores to serve the public

Factors Restricting Performance Improvement

- Overall national trend indicating flattening consumption
- Limited advertising strategy that is a reflection of the County's role in this business operation
- Number of stores to serve the public

Performance Improvement Plan

In FY13, the Department is moving the Montgomery Village store to Goshen Plaza; and has signed leases and commenced to prepare two new stores (Seneca Meadows and Clarksburg) for opening in FY14.

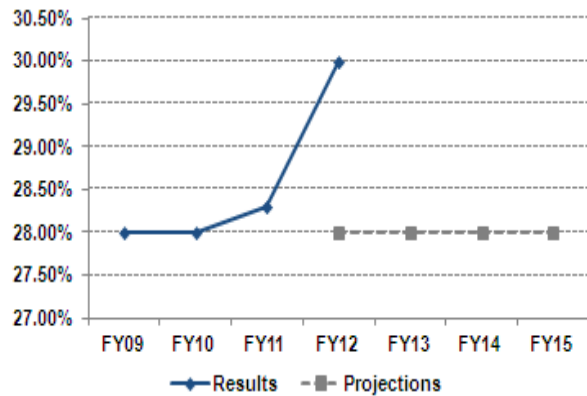


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Headline Performance Measure 2: Gross profit margin of DLC retail and wholesale operations

Performance Trends



	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Results	28.0%	28.0%	28.3%	30.0%			
Projections				28.0%	28.0%	28.0%	28.0%

Factors Contributing to Current Performance

- Solid product selection
- Inventory control
- Competitive pricing
- Knowledgeable, service-oriented staff
- Web based and print advertisements

Factors Restricting Performance Improvement

- Negotiated compensatory expenses (65% of operating costs)
- Lease escalation clauses
- Growth of utility and other operating costs

Performance Improvement Plan

In FY13, the Department continues to seek its gross profit margin (cost of goods sold to sales) target of 28%. A gross profit margin of 28% will ensure that the Department meets its cost of operations and transfers a predetermined amount of profit to the General Fund. The Department and the Office of Management and Budget jointly establish a profit transfer goal.

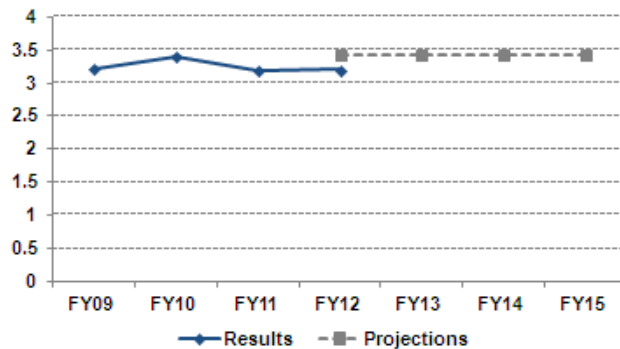


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Headline Performance Measure 3: Retail customer satisfaction rating based on the DLC customer survey results (average score on a 1 – 4 scale)

Performance Trends



	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Results	3.22	3.41	3.19	3.20			
Projections				3.42	3.42	3.42	3.42

Factors Contributing to Current Performance

- Adequate product knowledge and customer service training for employees
- Comprehensive product choice
- Fair prices, competitive sales
- Safe, attractive stores
- Philosophical view of the County's role in beverage alcohol sales

Factors Restricting Performance Improvement

- Number of retail store locations
- Philosophical view of the County's role in beverage alcohol sales

Performance Improvement Plan

In FY13, the Department is moving the Montgomery Village store to Goshen Plaza; and has signed leases and commenced to prepare two new stores (Seneca Meadows and Clarksburg) for opening in FY14.

The Product Management Committee continues to bring in new products.

Retail operations works in conjunction with the Purchasing Section to obtain limited release, allocated products for customers who are interested in specialty products.

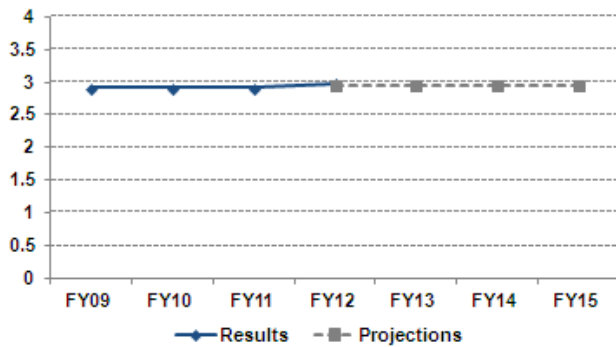


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Headline Performance Measure 4: Wholesale customer satisfaction rating based on the DLC customer survey results (average score on a 1 – 4 scale)

Performance Trends



	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Results	2.91	2.91	2.91	2.97			
Projections				2.95	2.95	2.95	2.95

Factors Contributing to Current Performance

- Product is available for sale
- Orders are shipped accurately and on time
- Delivery staff is training in customer service
- Philosophical view of the County's role in beverage alcohol sales

Factors Restricting Performance Improvement

- Low survey response rate
- Philosophical view of the County's role in beverage alcohol sales

Performance Improvement Plan

The Department has undertaken the replacement of its APPX warehouse management system with ORACLE. FY13 and part of FY14 will see the design of a comprehensive system that includes purchasing, product receipt, sales, routing, delivery, driver settlement and inventory management.

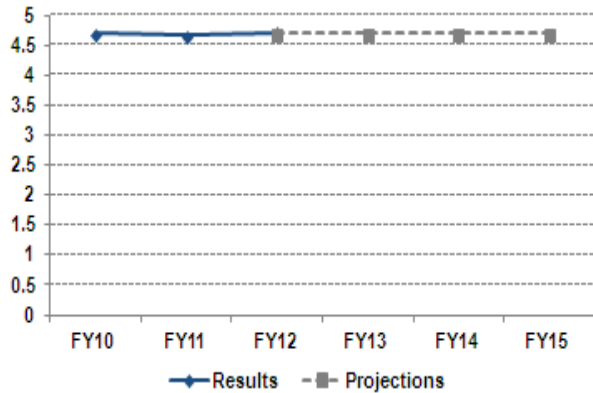


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Headline Performance Measure 5: Rating of licensees satisfied with the licensing application process (average score on a 1 – 5 scale)

Performance Trends



	FY10	FY11	FY12	FY13	FY14	FY15
Results	4.70	4.67	4.72			
Projections			4.70	4.70	4.70	4.70

Factors Contributing to Current Performance

- Well-trained, customer oriented workforce
- Comprehensive on-line forms and information
- Fingerprinting offered at DLC location

Factors Restricting Performance Improvement

- Cost

Performance Improvement Plan

The Department has issued an Informal Solicitation and has selected a vendor to replace a non-compliant fingerprint machine with a new LiveScan portable system that can be taken to hearings and other locations if necessary as a customer convenience. The use of this machine provides the Department with a small revenue source that will pay for the machine in the first full year of use.

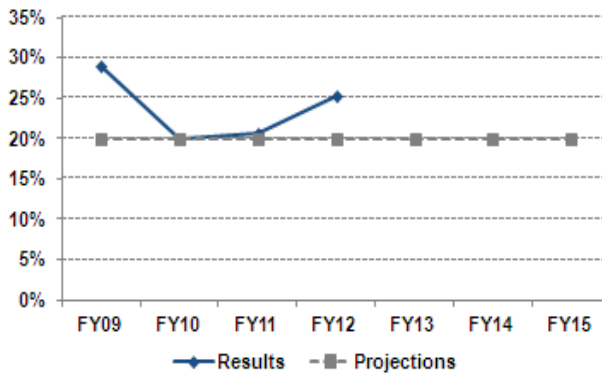


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Headline Performance Measure 6: Percent of licensees that fail compliance checks (number of establishments that fail/number of total compliance checks)

Performance Trends



	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Results	29.00%	20.00%	20.75%	25.31%			
Projections	20%	20%	20%	20%	20%	20%	20%

Factors Contributing to Current Performance

- Customers have a resource in the LRE Staff
- The Department offers free monthly ALERT trainings, has information on line and in brochures
- The Department works in the community

Factors Restricting Performance Improvement

- High turnover rate of employees in licensed establishments requires constant training
- Licensees from other parts of the world do not realize importance of restrictions
- Profit motive tempts the sale

Performance Improvement Plan

The ultimate responsibility to be compliant with the law lies with the license-holder and staff. The Department will continue to offer free monthly ALERT trainings for current and prospective license holders, staff and others and will continue to be a resource to licensed establishments and the community. The Department will continue compliance checks and work in the community with the Police, community leaders, businesses and others to establish/maintain safe, vibrant places to live.

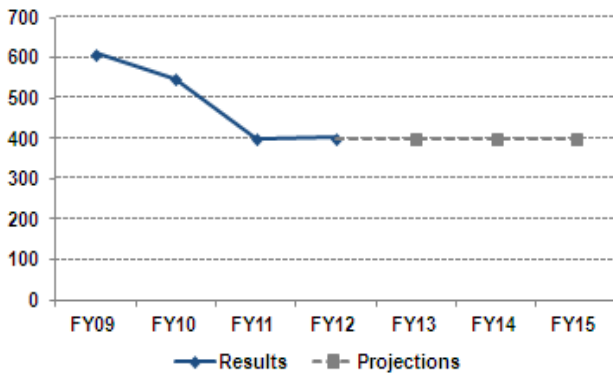


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Headline Performance Measure 7: Number of annual alcohol compliance checks for sales to minors (under 21)

Departmental Performance and Projections



	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Results	612	550	400	403			
Projections					400	400	400

Factors Contributing to Current Performance

- Compliance checks for sales to minors are a priority

Factors Restricting Performance Improvement

- Time

Performance Improvement Plan

The Department continues to perform compliance checks for sales to minors.

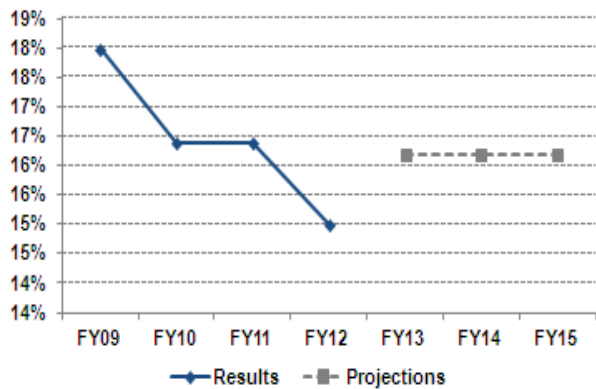


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Headline Performance Measure 8: Inventory as a percent of Cost of Goods Sold

Performance Trends



	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Results	18.0%	16.4%	16.4%	15.0%			
Projections					16.2%	16.2%	16.2%

Factors Contributing to Current Performance

- Focus on product selection and regular review of product performance
- Careful evaluation of original and subsequent order quantities
- Periodic review of slow movers coupled with an effective sales strategy
- Focused product placement in stores

Factors Restricting Performance Improvement

- Number of new products is growing exponentially
- Control model requires higher inventory levels

Performance Improvement Plan

The Department's goal is to ensure that productivity gains are being realized through effective inventory management. Inventory as a percentage of cost of goods sold is a measure to monitor efficient levels of inventory.

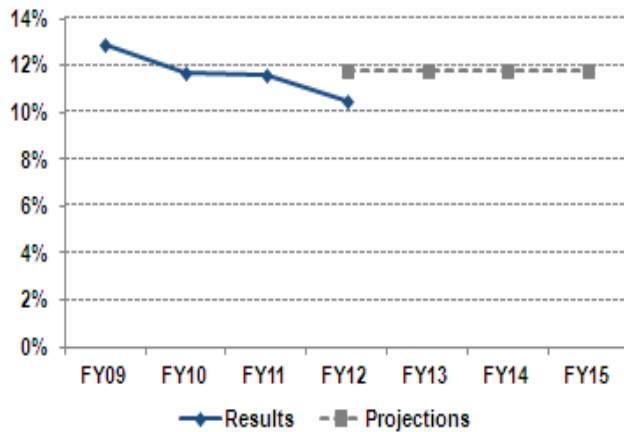


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Headline Performance Measure 9: Inventory as a percent of DLC sales

Performance Trends



	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Results	12.9%	11.7%	11.6%	10.5%			
Projections				11.8%	11.8%	11.8%	11.8%

Factors Contributing to Current Performance

- Focus on product selection and regular review of product performance
- Careful evaluation of original and subsequent order quantities
- Periodic review of slow movers coupled with an effective sales strategy

Factors Restricting Performance Improvement

- Number of new products is growing exponentially
- Control model requires higher inventory levels

Performance Improvement Plan

The Department's goal is to ensure that productivity gains are being realized through effective inventory management. Inventory as a percentage of sales is a measure to monitor efficient levels of inventory.

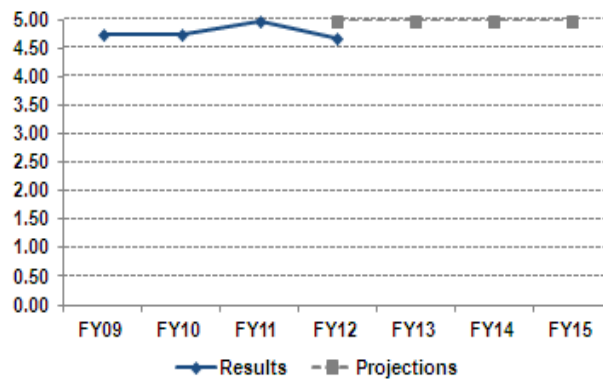


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Headline Performance Measure 10: Rating of licensees satisfied with A.L.E.R.T. training (average score on a 1 – 5 scale)

Performance Trends



	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Results	4.75	4.75	4.97	4.69			
Projections				5.0	5.0	5.0	5.0

Factors Contributing to Current Performance

- The training is comprehensive yet presented in an understandable manner
- Training is offered in English and occasionally in Spanish
- Training is interactive and an enjoyable experience according to surveys

Factors Restricting Performance Improvement

- None

Performance Improvement Plan

The Department will continue to offer these free, enjoyable and valuable trainings for current and potential license-holders, staff and others. The training, which was developed by staff in the LRE Division, is often a required training for violators and mandated by judges. A number of other jurisdictions have adopted trainings that are modeled on Montgomery County's ALERT training.



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Responsive and Sustainable Leadership:

Responsive and Sustainable Leadership has been the cornerstone of the County Executive's vision for Montgomery County government. To advance this vision, we have identified eight overarching goals for all County departments:

1) Effective and Productive Use of the Workforce/Resources:

Department actively works to effectively and productively use its workforce/resources, including, but not limited to, better management of overtime, implementation of productivity improvements, reduction of ongoing costs, and efficient use of other resources.

*a) 23% increase in average overtime hours used by all approved positions
(Source: Department provides and CountyStat validates)*

*b) XX% increase/decrease in average Net Annual Work hours worked by all approved positions
(Source: data/information not available yet)*

2) Internal Controls and Risk Management:

Department actively assesses its internal control strengths, weaknesses, and risks regarding compliance with laws, regulations policies and stewardship over County assets: Department reviews and implements Internal Audit recommendations in a systematic and timely manner, and proactively manages risk pertaining to improving workplace safety, decreasing work-related injuries, and reducing County exposure to litigation

a) 86% of 14 Audit report recommendations were fully implemented since issuance of the audit report. The remaining recommendations are pending the department's new warehouse system. (Source: Internal Audit will provide to CountyStat)

b) FY12 shows a 16% increase in number of work-related injuries (from 55 in FY11 to 64 in FY12.)



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3) Succession Planning:

Department actively plans for changes in its workforce, in order to maintain continuity of services, develop staff capabilities, maintain and/or transfer knowledge, and enhance performance.

a) *List all the key positions/functions in your department that require succession planning*

- Purchasing
- Warehouse Operations management
- Retail Operations management
- Enforcement management
- Licensing management
- Pricing and promotion
- Newsletter production
- Credit card reconciliation
- Claims management
- COOP Manager

b) *100% of those identified key position/functions have developed and implemented long-term succession planning*

4) Mandatory Employee Training:

Department systematically monitors and actively enforces employees' mandatory and/or required

3% of 282 DLC employees have fulfilled mandatory County/State/Federal training requirements (Source: Department)

5) Workforce Diversity and MFD Procurement:

Department actively participates in the recruitment of a diverse workforce and enforcement of MFD procurement requirements.

Workforce Diversity: According to the Workforce Diversity Report, Liquor Control has consistently maintained significant diversity in its overall workforce. Currently 52% of its workforce consists of minority employees, with significant representation in all groups. Hispanic employees represent 16% of the workforce. The MLS-ranked employees provide data that is too small to be statistically significant.

	African Amer	Native Amer	White	Asian	Hispanic	Other
LIQUOR CONTROL	30%	1%	48%	6%	16%	0%

MFD Procurement: According to the MFD Participation Report, Liquor Control completed 15 actions with awards subject to MFD. That equals a total award dollar amount of \$3,861,946, which is a percentage of actions of 37.5%; and a percentage of dollars of 18.76%. ([Link](#) to report)



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6) **Innovations:**

Department actively seeks out and tests innovative new approaches, processes and technologies in a quantifiable, lean, entrepreneurial manner to improve performance and productivity.

- a) *Total number of innovative ideas/project currently in pipeline for your department, including the ones initiated in coordination with the Montgomery County Innovation Program.*
- b) *Expected (or achieved) return on investment for each of those innovative ideas/projects, quantified in terms of at least one of the following measures: increased effectiveness/efficiency, cost savings/avoidance, increased transparency/accountability, or increased customer satisfaction.*

1. iCatalog Web Application (in production)	Expected ROI:	increased customer satisfaction
2. Spirits Media Program in Retail Stores	Expected ROI:	Increased customer satisfaction Increased effectiveness Revenue generation
3. Fingerprinting Service (in production)	Expected ROI:	Increased customer service Increased effectiveness Revenue generation
4. Customer intake system for LRE	Expected ROI:	Increased transparency/accountability
5. Automated inspection program for iPad	Expected ROI:	Increased transparency/accountability Increased effectiveness
6. ALERT Training (in production)	Expected ROI:	Increased customer satisfaction Increased effectiveness
7. eFAX	Expected ROI:	Cost savings



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7) Collaborations and Partnerships:

Department actively participates in collaborations and partnerships with other departments to improve results beyond the scope of its own performance measures. Please only list accomplishments that had positive results for other department(s) as well.

a) Total \$\$ saved by through collaborations and partnerships with other departments: \$750,000

b) List your accomplishments and/or expected results

DLC supports multi-agency efforts through grant writing and reporting. In FY12, grant funding totaled nearly \$25,000 and include funding for a Cops in Shops® Program (done jointly with the Police), ID Checking Calendars for Retailers, the Sociable City Leadership Summit, and the hosting an Annual Maryland State Alcohol Beverage Forum.

In FY 12 DLC obtained and distributed in-kind materials from numerous partners, such as over 3,000 ID books, “We Don’t Serve Teens” materials and other educational resources were solicited and distributed in monthly educational trainings. These in kind services are valued at over \$50,000.

In an effort to measure the rate of alcohol over-service in Montgomery County, DLC partnered with the national non-profit research organization, the Responsible Retailing Forum (RRF), and local alcohol licensed businesses to conduct a comprehensive study using “pseudo-intoxicated” Mystery Shoppers who asked to be served alcohol while exhibiting distinct signs of intoxication. Researchers were specifically looking to see if the establishments sold alcohol to the already intoxicated individuals and what, if any, interventions were taken. Service of alcohol to an intoxicated individual is against the law and poses issues of public safety as well as potential liability for an establishment. Results will help steer regulatory and educational efforts for the future.

8) Environmental Stewardship:

Department actively makes appropriate changes to workplace operations, workflow, employee behavior, equipment use, and public interactions to increase energy-efficiency, reduce its environmental footprint, and implement other environmentally responsible practices.

a) 24.0% decrease in print and mail expenditures (Source: CountyStat)

b) 29.1% increase in paper purchases (measured in total sheets of paper) (Source: CountyStat)

c) List your accomplishments and/or expected results

- DLC is now using BPA-free receipt paper in the retail stores.
- DLC is converting a number of FAX lines to eFax, which will allow for consolidating lines and eliminating the use of Fax machines, saving money on excess lines and machine upkeep.
- DLC is converting its current system to allow users to review reports on-screen and print only if necessary. This should reduce the need for different sizes of paper and enable the department to retire its large, legacy printers.